

MEMORANDUM

To: Board of Regents
From: Board Office
Subject: Resolutions for the Sale of \$21,665,000 Dormitory Revenue Bonds, Series I.S.U. 2001A
Date: January 8, 2001

Recommended Actions:

Adopt the following resolutions subject to the receipt of acceptable bids:

1. A Resolution providing for the sale and award of \$21,665,000 Dormitory Revenue Bonds, Series I.S.U. 2001A, and approving and authorizing the agreement of such sale and award.
2. A Resolution authorizing and providing for the issuance and securing the payment of \$21,665,000 Dormitory Revenue Bonds, Series I.S.U. 2001A, for the purpose of constructing and equipping a residence hall and related facilities and making other necessary improvements to existing residence halls and related facilities, all located on the campus of Iowa State University of Science and Technology, including funding the debt service reserve fund and paying costs of issuing the Bonds.

(ROLL CALL VOTE)**Executive Summary:**

The Board is asked to adopt two resolutions related to the sale and award and issuance of \$21,665,000 Dormitory Revenue Bonds, Series I.S.U. 2001A. At its December 2000 meeting, the Board authorized the Executive Director to fix the date(s) for the sale of the bonds, which would be sold to construct and equip a residence hall (Suite Building 1, Union Drive Neighborhood) and related facilities (including infrastructure) at Iowa State University and make other necessary improvements to the residence system. The bonds were included in the proposed Bond Issuance Schedule for Calendar Year 2001 approved by the Banking Committee and Board in November 2000.

The bonds would be outstanding for a period of 28 years, with debt service of approximately \$1,581,000 annually to be paid from net rents, profits and income from the operation of the Residence System. The bonds would pay interest only until the project was completed. Principal payments would begin on July 1, 2004 and continue through July 1, 2028, a period of 25 years. An additional bond

issue scheduled for May 2001 would be needed to finance construction of the Community Center. The University's Residence System is a self-supporting operation and receives no state appropriations.

Background:

In February 1999, the University received Board permission to proceed with project planning for the Union Drive Neighborhood project on the west campus. The project, which will focus on the needs of new undergraduate students who are making a transition to the University, is a component of the Residence System Master Plan, an update of which was presented to the Board in July 2000.

At its July 2000 meeting, the Board received the program and schematic design concept reports for the Union Drive Neighborhood projects. The Board also authorized proceeding with further design of the Union Drive utilities infrastructure, Union Drive Suite Building 1, and Union Drive Community Center with the design development drawings for the facilities to be presented for Board approval.

The University provided further reports to the Board in September and October 2000. These updates included information on 1) the consolidation of University food service operations, 2) increases in room rates used to develop the proforma financial statements for the Union Drive Neighborhood projects, and 3) the meetings in Ames with the bond rating agencies (Standard and Poor's, and Moody's Investors Service) regarding the proposed projects and the required bonded indebtedness.

The Board approved, at its December 2000 meeting, project descriptions and budgets for Phase 1 of the Union Drive Neighborhood project, which includes Suite Building 1 and associated infrastructure, and the Community Center. The bonds would be sold to finance the suite building and infrastructure.

Under the provisions of Iowa Code § 262.55 to 262.66, the Board is authorized to construct, equip, improve, repair, remodel, operate and maintain residence halls and dormitories, including dining and other incidental facilities, at the universities. The Board is further authorized to borrow money to finance the construction or improvements. The sources of repayment are the net rents, profits and income from the operation of residence halls, dormitories, dining and incidental facilities.

Analysis:

The size of the proposed bond issue is \$21,665,000 including project costs, debt service reserve (estimated at \$1,581,000) and issuance costs (estimated at

\$84,000). Annual debt service payments are estimated at approximately \$1,581,000 based on current interest rates.

Bonds ranking on a parity with outstanding bonds may be issued if one of two financial tests is met. One of the tests permits the inclusion of future revenues to be generated by the facilities to be constructed. Under the provisions of this test, a certificate which shows that the Residence System can make the debt service payments while maintaining all requirements of the Dormitory Revenue Bond covenants needs to be filed with the Board. The Certificate of the Financial Officer of the University, Warren R. Madden, is attached to this memorandum. It is accompanied by a report of the State Auditor, who completed the last audit of the Residence System, commenting upon the assumptions used in projecting the revenues of the system.

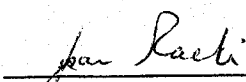
The outstanding principal of the Residence System existing bonds, including the principal from the 1964-67 issues and the Maple Hall Renovation and Hawthorn Court balances, is \$81.8 million.

The receipt and opening of bids is scheduled for 9:00 a.m. and the award is scheduled for 10:00 a.m. on January 17, 2001. A representative of Springsted, Inc. will report on the bids received and make a recommendation to the Board for award of the bonds.

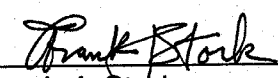
Bond Specifics:

Average Maturity:	17.99 years
Bonds Dated:	February 1, 2001
Interest Due:	July 1, 2001 and each January 1 and July 1 to maturity
Principal Due:	July 1, 2004 – 2028
Optional Call:	Bonds maturing on or after July 1, 2012 are callable commencing July 1, 2011 and any date thereafter at par
Denomination:	\$5,000 and integral multiples thereof

Copies of the resolutions, which were prepared by Ahlers law firm and reviewed by Springsted, Inc., are included in the Regent Exhibit Book.



Joan Racki

Approved: 

Frank J. Stork

CERTIFICATE OF FINANCIAL OFFICER

TO THE BOARD OF REGENTS, STATE OF IOWA:

As the Financial Officer of the Iowa State University of Science and Technology, I have prepared the following certification of the estimated net revenues of the Residence System (as defined in the resolution adopted by the Board of Regents, State of Iowa (the "Board") on June 18, 1964 to authorize the issuance of its \$15,000,000 Dormitory Revenue Bonds, Series I.S.U. 1964A, and in subsequent resolutions authorizing the issuance of various series of outstanding dormitory revenue bonds ranking on a parity therewith).

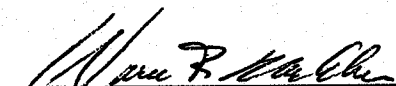
In order to comply with the requirements and limitations provided in said resolution and in subsequent parity bond resolutions applicable to the issuance of additional dormitory revenue bonds ranking on a parity, I make this certification specifically with respect to the proposed issuance of \$21,665,000 Dormitory Revenue Bonds, Series I.S.U. 2001A.

I certify that it is my opinion based upon necessary investigations that the net revenues of the Residence System available for debt service will not be less than 150% of the maximum amount that will become due for both principal and interest on the dormitory revenue bonds now outstanding and the bonds proposed to be issued (assuming the maturities as stated in the preliminary Official Terms of Offering dated January 4, 2001 and an annual interest rate of 6% or less), in any fiscal year prior to the longest maturity of any of the presently outstanding bonds which are payable through July 1, 2027. In compliance with the terms of the outstanding dormitory revenue bonds, "net revenues of the System available for debt service" as used herein consists of the estimated average annual net revenues for the entire System (based upon not greater than 93% occupancy of residence hall, dormitory and dining facilities capacity as determined by the regulations for occupancy and use now in effect), including those facilities now in operation, those now under construction and those being financed through the issuance of the proposed additional bonds, respectively, for the first two fiscal years after completion of the facilities to be paid for from the proceeds of each series of the proposed additional bonds.

I have further investigated, and it is my opinion, that the net rents, profits and income of the Residence System for the last completed fiscal year ending June 30, 2000, including earnings from investments, exceeded 135% of the amount of principal and interest due in that fiscal year. I further certify that payments required by the outstanding bond resolutions to be made into the Dormitory Revenue Bond Sinking

Fund or the Bond Reserve Fund are not in arrears and that no additional amount of capitalized interest is required to be included in the bond issuance to maintain such coverage at the rate of 135% for the construction period. I further certify that the facilities to be constructed from the proceeds of the Series I.S.U. 2001A Bonds will be completed and first available to the University for a full fiscal year beginning July 1, 2003.

Before presenting this certificate to the Board, I have submitted the same to the Auditor of State, being the independent public accountant who made the last audit of the Residence System, for comments as to the basis upon which estimates are made herein as to revenues to be derived from facilities not now in operations and submit the comments of said Auditor of State with this certificate. Attached hereto are tables setting forth my opinion as stated above with respect to net revenues of the Residence System available for debt service in the first two fiscal years after completion of the facilities to be paid for from the proceeds of the additional bonds proposed to be issued.



Warren R. Madden
Vice President for Business and Finance

260541

Residence Department - Master Plan Proforma UDA
Suite 1 with Utilities, Helser-North, Storms & Knapp Demolition (January 2001)

	FY 99	FY 2000	FY 2001	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010
Revenue												
Room	18,935,058	22,775,478	23,654,650	27,590,514	30,062,331	32,020,009	33,351,833	34,603,932	35,904,909	37,256,684	38,661,252	40,120,688
Family Apartments	4,354,411	3,747,245	3,926,425	4,116,118	4,315,158	4,524,009	4,700,456	4,883,871	5,074,531	5,272,723	5,478,747	5,692,914
Dining	14,509,235	15,073,832	14,917,629	16,138,197	17,940,570	17,640,243	18,518,793	19,236,182	19,982,004	20,757,395	21,561,542	22,401,671
	37,798,703	41,596,554	42,498,704	47,844,828	52,318,059	54,184,261	56,571,082	58,723,985	60,961,444	63,286,802	65,701,540	68,215,273
Expenses												
Room	14,749,724	15,441,058	17,148,594	18,151,236	19,025,423	19,546,521	20,331,314	21,144,567	21,990,350	22,869,964	23,784,762	24,736,153
Family Apartments	3,100,444	2,459,603	2,478,253	2,544,686	2,616,579	2,714,170	2,822,210	2,935,099	3,052,503	3,174,603	3,301,587	3,433,650
Dining	11,064,358	11,907,673	12,066,232	13,048,636	14,070,445	13,826,398	14,555,708	15,134,533	15,736,633	16,362,946	17,033,698	17,692,159
	28,914,527	29,808,335	31,693,080	33,744,559	35,712,447	36,087,088	37,709,232	39,214,198	40,779,486	42,407,513	44,140,047	45,861,962
Net Income Room	4,185,333	7,334,419	6,506,055	9,439,278	11,036,908	12,473,489	13,020,519	13,459,365	13,914,559	14,386,720	14,876,490	15,384,535
Net Income Apartment	1,253,967	1,287,641	1,448,172	1,571,432	1,698,579	1,809,839	1,878,246	1,948,773	2,022,028	2,098,120	2,177,160	2,259,263
Net Income Food	3,444,877	3,166,159	2,851,397	3,089,561	3,870,125	3,813,846	3,963,085	4,101,649	4,245,371	4,394,449	4,507,844	4,709,512
Net Income from Operations	8,884,177	11,788,220	10,805,623	14,100,270	16,605,612	18,097,173	18,861,850	19,509,787	20,181,958	20,879,289	21,561,493	22,353,311
Debt Service	2,773,000	5,099,530	6,556,868	7,618,445	8,132,687	8,513,998	8,415,879	8,065,559	8,061,464	8,038,981	7,067,732	7,062,850
Demo Cost/Fund from Surplus			216,200			1,326,125		1,591,350				
Annual Capital Improvements	1,533,263	4,245,532	4,307,268	3,050,112	3,172,116	3,299,001	3,430,961	3,568,200	3,710,928	3,859,365	4,013,739	4,174,289
Sinking and Improvement Trans	500,000	500,000	500,000	500,000	500,000	500,000	500,000	500,000	500,000	500,000	500,000	500,000
Scholarships	360,000	363,022	360,000	360,000	360,000	360,000	360,000	360,000	360,000	360,000	360,000	360,000
University Overhead	720,375	720,375	734,783	749,478	764,468	779,757	795,352	811,259	827,484	844,034	860,915	878,133
Subtotal	5,886,638	10,928,459	12,675,118	12,278,035	12,929,271	14,778,881	13,502,192	14,896,367	13,459,876	13,602,380	12,802,386	12,975,271
Annual Operating Surplus	2,997,539	859,761	(1,869,495)	1,822,235	3,676,341	3,318,292	5,359,657	4,613,419	6,722,082	7,276,909	8,759,107	9,378,039
Cumulative Dept Surplus	7,825,203	8,684,964	6,815,469	8,637,704	12,314,045	15,632,337	20,991,995	25,605,414	32,327,496	39,604,405	48,363,513	57,741,552
Coverage Ratio--Annual	3.20	2.31	1.65	1.85	2.04	2.13	2.24	2.42	2.50	2.60	3.05	3.16
Coverage Ratio--Max Debt Service		1.38	1.27	1.66	1.95	2.13	2.24	2.42	2.50	2.60	3.04	3.15

Test #2 Years
Minimum 1.50 coverage required

Test #1 Year
Minimum 1.35 coverage required

Current assumptions are on following page.

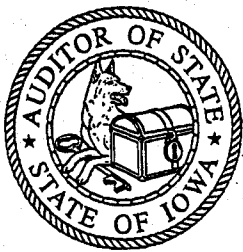
Residence Department - Master Plan Proforma UDA
Suite 1 with Utilities, Helser-North, Storms & Knapp Demolition (January 2001)

CURRENT ASSUMPTIONS:

- FY
2000 FY2000 operating results per FY2000 audited
2001 FY2001 operating results per FY2001 budget
2001 Helser - North demolition (-355 beds) May-01: Cost \$189K. Reduce Helser rev in FY 2001 by 35%, reduce Facilities exp by 20%, RL by 20%.
Translates as Helser-North is off line during all of FY01 and that all students are removed from the system into the future.
Friley Dining rev reduced by 15%, food costs by 15%, other expenditures by 5%
2003 \$21.665M bonds for UDA Utilities and Suite 1 (+320 beds): estimated to be issued Jan-01 at an average 6.25%, construction on Utilities to begin Feb-01, On-line Aug-02.
Friley Dining revenue increased by 16%, food costs by 16%, other expenditures by 5%
2004 Storms demolition (-570 beds) May-03: Cost \$1.33M. Reassign 68% students (+341 residents, incoming freshmen) in other halls. Others are removed from system.
Reduce rev by 32%, facilities expenditures reduced by 90%, RL expenditures by 100%
Knapp/Storms dining: reduce revenue by 15%, reduce food cost by 15%, other expenditures by 5%
Other facilities, containing, not greater than those number of beds contained in Storms Hall will be closed in FY02 for complete renovation in lieu of previous plan to demolish Storms in May01.
2006 Knapp demolition (-570 beds) May-05: Cost \$1.59M. Same assumption as Storms. +341 Students reassigned.
Knapp/Storms dining: revenue and expenditures reduced by additional 59% (previously discounted for Storms demolition)
Other facilities, containing, not greater than those number of beds contained in Knapp Hall will be closed in FY04 for complete renovation in lieu of previous plan to demolish Knapp in May03.

Maximum Debt Service

FY99	6,877,313
FY00	6,877,313
FY01	8,513,998
FY02	8,513,998
FY03	8,513,998
FY04	8,513,998
FY05	8,415,879
FY06	8,065,559
FY07	8,061,464
FY08	8,038,981
FY09	7,097,155
FY10	7,097,155



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

Richard D. Johnson, CPA
Auditor of State

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State Capitol Building
Des Moines, Iowa 50319-0004
Telephone (515) 281-5834 Facsimile (515) 242-6134

Independent Accountant's Report
on Applying Agreed-Upon Procedures

To the Members of the Board of Regents,
State of Iowa:

At your request, we have performed certain agreed-upon procedures, as described below, with respect to the assumptions, estimates, and projections underlying Iowa State University of Science and Technology's (I.S.U.) Financial Officer's certification of the estimated Net Revenues of the Residence System (as defined in the resolution adopted by the Iowa State Board of Regents on June 18, 1964, to authorize the issuance of its \$15,000,000 Dormitory Revenue Bonds, Series I.S.U. 1964A, in the resolution adopted by said Board on February 11, 1965, to authorize the issuance of its \$1,600,000 Dormitory Revenue Bonds, I.S.U. Series 1965A, in the resolution adopted by said Board on April 14, 1966, to authorize the issuance of its \$2,200,000 Dormitory Revenue Bonds, I.S.U. Series 1966A, in the resolution adopted by said Board on June 29, 1967, to authorize the issuance of its \$8,190,000 Dormitory Revenue Bonds, I.S.U. Series 1967A, in the resolution adopted by said Board on September 14, 1967, to authorize the issuance of its \$3,000,000 Dormitory Revenue Bonds, Series I.S.U. 1967G, in the resolution adopted by said Board on April 14, 1998 to authorize the issuance of its \$15,750,000 Dormitory Revenue Bonds, Series I.S.U. 1998, in the resolution adopted by said Board on September 23, 1998 to authorize issuance of its \$14,000,000 Dormitory Revenue Bonds, Series ISU 1998A, in the resolution adopted by said Board on May 19, 1999 to authorize the issuance of its \$16,900,000 Dormitory Revenue Bonds, Series I.S.U. 1999A, in the resolution adopted by said Board on November 18, 1999 to authorize the issuance of its \$17,400,000 Dormitory Revenue Bonds, Series I.S.U. 1999B, and in the resolution adopted by said Board on January 19, 2000 to authorize the issuance of its \$9,525,000 Dormitory Revenue Bonds, Series I.S.U 2000A.

These procedures, which were agreed to by the Board of Regents, State of Iowa were performed solely to assist you in evaluating the assumptions, estimates and projections in connection with the proposed issuance of its \$21,665,000 Dormitory Revenue Bonds, Series I.S.U. 2001A. This agreed-upon procedures engagement was performed in accordance with standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of the specified users of the report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

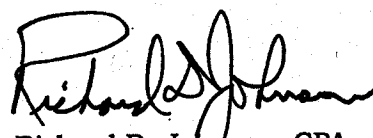
At your request, we have -

- a) Obtained a list of the significant assumptions providing the basis for the estimated net revenues of the residence system and considered whether there were obvious omissions in light of the key factors upon which the projections appear to depend and found them to be materially complete.
- b) Considered whether there appear to be any obvious internal inconsistencies in the assumptions and found the assumptions to be consistent.

- c) Tested the mathematical accuracy of the computations that translate the assumptions into the estimated net revenues of the residence system and found them to be materially accurate.

We were not engaged to, and did not perform an audit, the objectives of which would be the expression of an opinion on the accompanying certification of the estimated net revenues of the residence system. Accordingly, we do not express an opinion on whether the estimated net revenues of the residence system exceed 150% of the maximum amount of principal and interest in any fiscal year prior to the longest maturity of the bonds or bonds outstanding (interpreted as the final due date of the series maturing in 2028) or on whether the underlying assumptions provide a reasonable basis for the certification of the estimated net revenues of the residence system. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you. Furthermore, there will usually be differences between the projections and actual results, because events and circumstances frequently do not occur as expected, and those differences may be material. We have no responsibility to update this report for events and circumstances occurring after the date of this report.

This report, a public record by law, is intended solely for the information and use of the officials and employees of the Board of Regents, State of Iowa and the Iowa State University of Science and Technology. This report is not intended to be and should not be used by those who have not agreed to the procedures and taken responsibility for the sufficiency of the procedures for their purposes.



Richard D. Johnson, CPA
Auditor of State

January 4, 2001